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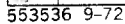
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VIETNAM: The North Vietnamese stepped up their shellings of allied targets, but most of the latest ground fighting is being initiated by the South Vietnamese.

Nearly 2,000 artillery and mortar rounds were directed at South Vietnamese Marines in and around Quang Tri City, with the most intense attacks just outside the citadel. Airfields and military bases at Da Nang, Bien Hoa, and Binh Thuy were subject to enemy rocket bombardment. At least six of the nearly 60 large-caliber rockets aimed at the Bien Hoa military complex landed in the nearby provincial capital.

A number of ground contacts initiated by South Vietnamese Marines on the Quang Tri battlefield reportedly resulted in heavy enemy losses. Elements of the South Vietnamese 1st Division on clearing operations near Fire Base Bastogne uncovered several large enemy munitions caches.

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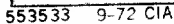
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CAMBODIA: Government efforts to reopen two major highways continue to show little progress.

In the northwest, about 12 Cambodian Army battalions assigned to reopen Route 5 still have not made any appreciable advance since the fighting be-




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The closure of Route 5 has forced the government to devise a cumbersome alternate means of obtaining rice from Battambang Province that requires the use of rail, water, and truck transport. At the same time, the government has moved to replenish Phnom Penh's dwindling rice reserves by purchasing 10,000 tons of rice from Thailand. The delivery of the Thai rice in early September should temporarily reduce the threat of serious shortages in the capital.

In the south, the government is making little headway in its limited efforts to reopen a section of Route 2 in Takeo Province. This highway has been closed since 26 August as a result of a number of attacks against several small Cambodian positions



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An increase in Khmer Communist harassment in the Phnom Penh area also appears to be in the offing. Enemy sappers raided a petroleum storage depot and destroyed or damaged two bridges between ten and 15 miles north of Phnom Penh yesterday. This activity probably is aimed in part at disrupting the election of a new National Assembly on 3 September. 

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BANGLADESH: Rising prices of rice are contributing to growing unrest among the populace, and demonstrations are occurring daily in Dacca.

Rice prices, normally at peak levels when food stocks are low and the major harvest is still several months away, are at record levels in most areas and generally twice as high as a year ago. The rice supply is unusually low because of crop failures associated with last year's military activities. In addition, rice represents only a small proportion of total foodgrain imports. The food minister has attributed the "grave situation" in large part to speculation, and hinted at corruption among government foodgrain officials.

The over-all foodgrain supply, however, should be adequate at least through November. Imports from aid donors are arriving in large quantities, and the Bangladesh Government, with UN assistance, is moving the foodgrains rapidly to needy upcountry areas. The food minister is urging the populace to buy wheat instead of rice and has promised to open new wheat marketing centers throughout the country, but Bengalis are traditional rice eaters and have balked at buying wheat. Moreover, it is not certain whether the government's complex rationing system is adequate to meet the needs of the poorer classes.

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FEDAYEEN: Yasir Arafat is in growing danger of losing his leadership of the fedayeen movement.

The movement has been plagued recently by increased friction, disarray, and disillusionment resulting from the fedayeen's inability either to mount effective military operations against the Israelis or to counter Israeli and Jordanian influence among the Palestinians on both banks of the Jordan River. In the wake of these difficulties, leaders of the various commando organizations have begun to engage in public name-calling. In the most heated argument, the more radical groups have obliquely accused Arafat of working with Tunisia and Saudi Arabia to reach a rapprochement with King Husayn without consulting other fedayeen leaders.

As a result of the squabbling and of Arafat's fruitless visit in mid-July to Moscow--where he failed to obtain official recognition or substantial aid from the Soviets--rumors are now circulating in Beirut that both conservative and radical elements will attempt to remove Arafat from the leadership of the fedayeen movement in late September or October. (Such a move, however, could come as early as next week when the executive committee of the Palestine Liberation Organization meets in Beirut.) The outcome of this infighting will probably be a further splintering of the fedayeen into small groups with disparate aims and methods, most likely centering on terrorism both in the Middle East and elsewhere. [REDACTED]

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GUYANA: The governing People's National Congress (PNC) is becoming increasingly concerned about its popularity and its chances of winning the next general election.

While this anxiety may be partly attributable to the moodiness of both Prime Minister Forbes Burnham and senior party officials, there are a number of good reasons for concern. The Communist-led opposition People's Progressive Party is backed by the East Indian community, 51 percent of the population, but the PNC has a basic constituency of only 40 percent--mostly blacks. The PNC has been unable to gain much support from the East Indian population, and racial differences and hostility are the root political issues in Guyana.

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The party is also demoralized by lack of money and Burnham's preoccupation with international and cultural activities that have little to do with domestic politics. The alienation of the small business community and middle class because of the government's controversial economic policies is another disturbing factor. There seems to be little that Burnham and his already uncohesive party can do over the short run to broaden their political base legally.

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EGYPT-USSR: Polemics between Egypt and the Soviet Union may sharpen in the immediate future. In a meeting with Egyptian editors on 29 August, President Sadat reportedly urged the press to rebut Soviet criticism of Egypt. Although Egypt's press frequently mentions the importance of continued Egyptian-Soviet friendship, it has also been criticizing some aspects of Soviet policy in an attempt to justify Cairo's ouster of the Soviet military mission. Moscow has recently begun responding to this criticism, and its public rebuttals have become more strident during the past week. Any increase in Egyptian press attacks is therefore likely to generate even more pointed Soviet replies. [REDACTED]

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POLAND-IRAQ: Warsaw reportedly has agreed to extend a \$100-million credit to finance Iraqi imports of Polish capital goods. The credit is the largest ever extended by Poland to a developing country and its terms are unusually generous for equipment purchases. The credit carries a 2.5-percent interest rate and is to be repaid over a ten-year period in Iraqi crude oil or other commodities. This is Poland's first known agreement securing a source of oil outside the USSR and Eastern Europe. [REDACTED]

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ITALY: Rome's slight downward revision of its economic growth estimate for 1972 indicates that recovery is proceeding even more slowly than officially anticipated. The economic rebound suggested by relatively favorable economic indicators in late 1971 has failed to materialize, due in large measure to the failure of public investment to reach projected levels. The slow growth of industrial production during the first half of 1972 and upcoming renegotiation of labor contracts affecting almost half of the industrial labor force make it unlikely that growth significantly over three percent will be attained this year. [REDACTED]

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VENEZUELA-USSR: Caracas has joined the growing number of Latin American nations seeking to expand their trade with the USSR. A delegation is in Moscow to negotiate the sale of sugar, possibly as much as 50,000 tons. The USSR already has purchased at least 20,000 tons of Venezuelan sugar through British brokers this year, raising Caracas' trade with the USSR, which traditionally has been less than \$100,000. In addition, the delegation may be investigating the purchase of Soviet machinery under a five-year Soviet credit offer. If accepted, it would be Moscow's first credit extension to Venezuela. [REDACTED]

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